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**ATLANTIC
COAST COPPER
CORPORATION Limited**

Eighth annual report 1964

ANNUAL REPORT

ATLANTIC COAST COPPER CORPORATION Limited

head office — OTTAWA, ONTARIO

mine office

LITTLE BAY, NEWFOUNDLAND

officers

J. BARRY O'BRIEN	President
M. J. BOYLEN	Vice-President
LESLIE G. HUDSON	General Manager
BASIL L. JACKSON	Mine Manager
R. FERRIER BURNS, C.A.	Secretary-Treasurer
E. J. TURNBULL	Assistant Secretary-Treasurer

directors

J. BARRY O'BRIEN	Ottawa, Ontario
M. J. BOYLEN	Toronto, Ontario
R. J. ISAACS	Toronto, Ontario
B. A. O'BRIEN	Ottawa, Ontario
GORDON F. PUSHIE	St. John's, Newfoundland

transfer agent

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

auditors

MCDONALD, CURRIE & CO. Ottawa, Ontario

ANNUAL REPORT

To the Shareholders of ATLANTIC COAST COPPER CORPORATION LIMITED

Your Directors take pleasure in submitting the Eighth Annual Report of your Company for the year ended 31st December 1964, together with the Auditors' Report to the Shareholders, the Financial Statements and the Mine Manager's Report.

The year was an eventful one for your Company with respect to the ore picture and new financing. Diamond drilling of the main ore zone from underground confirmed that it continues at depth, and the equity financing arranged will provide the funds necessary to develop this ore and also enlarge the hoisting facilities in order that production and development can be maintained at optimum rates.

The year's mining operations resulted in an operating profit of \$87,883 from gross earnings of \$1,857,410 less production and marketing costs of \$1,769,527. After provision for depreciation, pre-production expenses and other non-cash items in the amount of \$641,140 and loan and debenture interest of \$162,114, there was a net loss on mining operations

for the year of \$715,371. Net earnings arising from a final settlement on the previous year's custom milling operations amounted to \$1,449, leaving an overall net loss of \$713,922 for the year. The average price received for copper was 34 cents per pound. A recent price increase brought about by the action of the Chileans has raised the price anticipated for the balance of 1965 to the 37 cent level.

From the Balance Sheet you will observe that the Deferred Liabilities were reduced a further \$200,000 to \$1,537,498 after consideration of the Sinking Fund instalment of \$200,000 shown under Current Liabilities. The excess of Current Liabilities over Current Assets, amounting to \$661,582, shows an increase of \$2,327 since last year.

The capitalization of the Company was increased to 5,000,000 shares, and at the year end there were issued and fully paid 3,700,000 shares including 437,498 issued for \$1.00 each during the year. Options were granted on blocks

of 200,000 shares each at \$1.00, \$1.25, \$1.50 and \$1.75 per share, and as of the date of this report the first two options had been exercised.

In reviewing the year's accomplishments it will be noted there was little change in the grade of ore treated, and the tonnage handled was smaller. However, the excellent ore being outlined below the earlier stopes, which we now know extend only to about the 1,225 foot horizon, and the larger hoisting facilities scheduled for installation in the first half of 1965, are important factors which your Directors believe will enable the operation to begin showing a net profit in the near future.

By the year end, stopes on the 1,150 foot level were supplying over 90 percent of the mill feed, and this level has sufficient reserves to maintain production until about July 1965, by which time stopes on the 1,350 foot level will

have been developed for mining. Shaft sinking to a depth of 2,025 feet to provide room for a loading pocket to handle ore from levels at the 1,500, 1,650 and 1,800 foot horizons is programmed for the second half of 1965.

Present indications are that during 1965 your Company will resolve the mining problems which have beset the operation from its beginning. The worst of these problems has, of course, been the heavy dilution of the ore with waste in mining around previous workings, but once mining progresses below the 1,150 foot level into virgin ground this difficulty should be largely overcome.

Your Directors want to express their appreciation to Mr. Basil L. Jackson, Mine Manager, his staff and all the employees for their perseverance and strenuous efforts to achieve success despite the many problems of the past year.

On behalf of the Board,

J. BARRY O'BRIEN,
President.

Ottawa, Ontario,
19th May 1965.

MINE MANAGER'S REPORT

The President and Directors,
ATLANTIC COAST COPPER CORPORATION LIMITED

Gentlemen,

A report on operations for the year ended 31st December 1964 is submitted herewith:

production

A summary for the year, with comparative figures for 1963, is as follows:

	1964	1963
Ore treated	317,529 tons	376,403 tons
Average daily milling rate	867.6 tons	1,031.2 tons
Average mill heads	0.8930 % copper	0.9113 % copper
% time running	95.4	96.2
Recovery	93.8 %	93.4 %
Concentrate produced	9,931 tons	12,100 tons
Average concentrate grade	26.80 %	26.53 %
Contained copper	5,322,450 pounds	6,419,878 pounds
Contained gold	665 ounces	819 ounces

This is the first full year in which the mine has supplied all mill feed, and the tonnage treated represents about the maximum obtainable until the new 90 foot headframe recently constructed and the new and larger hoist presently being installed are in operation.

mining

The sources of the ore mined and hoisted were, from the 1,000 foot level — 62.5%; from the 1,150 foot level — 25.5%; and from development 12%. Average grade declined slightly but considerable improvement was made in the last quarter of the year when it reached 1.22% copper.

Underground development, with the exception of shaft sinking, was substantially increased and as a result development work on the 1,150 foot level was practically completed and on the 1,350 foot level about 50% completed. A summary of development work with comparative figures for 1963 follows:

	1964	1963	Cumulative to 31st December 1964
Drifting	3,218.0'	1,659.0'	16,316.0'
Crosscutting	2,618.0'	1,538.0'	10,359.0'
Miscellaneous excavations	213.0'	19.0'	1,084.0'
Raising and box holing	2,806.0'	211.0'	8,890.2'
Shaft sinking	86.0'	191.0'	1,560.0'
Station cutting	84.0'	26.6'	412.3'
	9,025.0'	3,644.6'	38,621.5'
Underground diamond drilling	16,776.0'	7,544.0'	83,188.0'

The main shaft was deepened to 1,560 feet and a station cut at the 1,500 foot horizon. A loading pocket excavation was made at the 1,450 foot depth and connections driven from it to the ore

pass system above. The loading pocket was moved to this new location late in the year.

Mine operating costs per ton treated were as follows:

Development	\$0.471
Diamond drilling	0.142
Mining	1.691
Milling	1.412
Surface and general	0.476
General administration	0.101
Total per ton	<u>\$4.293</u>

exploration

On the mine property nine diamond drill holes were drilled under the 1,350 foot level to explore the downward extension of the main ore zone to a depth of 1,800 feet. The presence of ore was confirmed to that depth but grade and tonnage estimates are not possible until deeper levels from which detailed drilling can be performed are opened.

Five holes were drilled from surface, and one hole from the 1,000 foot level, into the north zones. The results of this

work, combined with earlier drilling, justify investigation of the area from underground. This will become possible when better hoisting facilities are available.

At the Lady Pond property low copper values were encountered in diamond drilling as exploration, which maintained our option in good standing, was continued on this prospect, which is only five miles from our main Little Bay operation.

general

With the advent of new mines in the general area, manpower has become a serious problem, particularly with respect to tradesmen. Our shops, which we had built up by training over the years, lost the leading hands in all branches to contractors at adjacent properties. Turnover in other departments, though high at times, was not abnormal.

An average of 159 persons was employed throughout the year, 81 underground, 30 in the concentrator, 18 in the shops, and 30, including staff, on surface.

It is again a pleasure to acknowledge the efficient work and loyal services of the staff and employees, as well as the support and co-operation of the Officers and Directors of the Company.

Respectfully submitted,

B. L. JACKSON,
Manager.

Little Bay, Newfoundland,
22nd April 1965.

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE (CODE 613) 235-7231
222 SOMERSET STREET WEST
OTTAWA 4, ONTARIO, CANADA

11th May 1965

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Atlantic Coast Copper Corporation Limited as at 31st December 1964 and the statements of earnings, deficit and change in deficiency of working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, deficit and change in deficiency of working capital, when read in conjunction with the notes thereto, present fairly the financial position of the company as at 31st December 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Inc. Donald, Currie & Co.

CHARTERED ACCOUNTANTS

ATLANTIC COAST COPPER CORPORATION Limited

(Incorporated under the laws of Ontario)

ASSETS

current assets

	1964	1963
Cash	\$ 2,064	\$ 5,009
Smelter settlements — estimated	564,759	567,163
Accounts receivable	11,494	11,953
Prepaid expenses	27,227	22,154
Mining tax recoverable	—	1,447
	<hr/> 605,544	<hr/> 607,726

materials and supplies — at cost	224,784	192,693
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fixed assets

Plant and equipment — at cost less accumulated depreciation (note 1)	1,356,703	1,548,531
Mining property — at value ascribed to 1,000,000 shares issued as consideration for the property with subsequent additions at cost	615,895	615,510
	<hr/> 1,972,598	<hr/> 2,164,041

deferred expenditure

Preproduction expense, less amortization	865,149	1,182,678
Organization	3,170	3,170
Outside exploration, less portion written off	22,079	22,666
Debenture discount and expenses, less amortization	87,601	103,529
Deferred development, less portion written off	135,766	116,467
	<hr/> 1,113,765	<hr/> 1,428,510
	<hr/> <u>\$3,916,691</u>	<hr/> <u>\$4,392,970</u>

Signed on behalf of the Board
GORDON F. PUSHIE, *Director*
J. BARRY O'BRIEN, *Director*

Balance Sheet as at 31st December 1964

LIABILITIES

current liabilities

	1964	1963
Bank advances	\$ 716,232	\$ 797,644
Accounts payable and accrued liabilities	237,698	152,993
5% demand loan from a shareholder	110,000	115,000
Sundry taxes	3,196	1,344
Current portion of long-term debt	200,000	200,000
	<u>1,267,126</u>	<u>1,266,981</u>

long-term debt

5% loan from a shareholder due 1st June 1968	237,498	237,498
6¼% sinking fund debentures due 4th July 1970, less current portion (note 2)	1,300,000	1,500,000
	<u>1,537,498</u>	<u>1,737,498</u>

SHAREHOLDERS' EQUITY

capital stock

Authorized — 5,000,000 shares without par value (note 3)		
Issued and fully paid — 3,700,000 shares (note 4)	2,640,000	2,202,502

deficit	1,527,933	814,011
	<u>1,112,067</u>	<u>1,388,491</u>
	<u>\$3,916,691</u>	<u>\$4,392,970</u>

ATLANTIC COAST COPPER CORPORATION Limited

STATEMENT OF DEFICIT

FOR THE YEAR ENDED 31st DECEMBER 1964

	1964	1963
BALANCE — BEGINNING OF YEAR	\$ 814,011	\$ 223,791
Net loss for the year	713,922	588,414
Mining tax applicable to the prior year	—	1,806
BALANCE — END OF YEAR	<u>\$1,527,933</u>	<u>\$ 814,011</u>

STATEMENT OF EARNINGS

FOR THE YEAR ENDED 31st DECEMBER 1964

MINE OPERATIONS

	1964	1963
Revenue —		
Copper concentrate production	\$1,857,410	\$1,916,604
Less: Marketing expenses	406,215	445,699
	<u>1,451,195</u>	<u>1,470,905</u>
Costs —		
Mining	731,398	649,018
Milling	448,523	442,060
Surface and general	151,197	153,535
Administration and general	32,194	27,696
Interest on debentures and loans	162,114	165,338
Amortization of debenture discount and expenses	15,927	15,467
Depreciation of fixed assets	208,855	202,099
Amortization of preproduction expense ..	317,529	355,874
Deferred development — portion written off	96,506	58,233
Outside exploration — portion written off ..	2,323	—
	<u>2,166,566</u>	<u>2,069,320</u>
Net loss on mine operations	715,371	598,415
NET EARNINGS FROM CUSTOM MILLING OPERATIONS	1,449	10,001
NET LOSS FOR THE YEAR	<u>\$ 713,922</u>	<u>\$ 588,414</u>

ATLANTIC COAST COPPER CORPORATION Limited

STATEMENT OF CHANGE IN DEFICIENCY OF WORKING CAPITAL FOR THE YEAR ENDED 31st DECEMBER 1964

source of funds

	1964	1963
Net loss for the year	\$713,922	\$588,414
Less: Charges not requiring cash outlay —		
Depreciation of fixed assets	212,658	214,120
Amortization of preproduction expense	317,529	355,874
Outside exploration — portion written off	2,323	—
Amortization of debenture discount and expenses	15,927	15,927
Deferred development — portion written off	96,506	58,233
	644,943	644,154
	(68,979)	55,740
Proceeds of issue shares	437,498	100,000
Decrease in inventory of materials and supplies	—	50,455
	368,519	206,195

use of funds

Additions to fixed assets — net	21,214	9,465
Deferred development	115,805	110,408
Outside exploration	1,736	4,318
Payment on loan from a shareholder	—	100,000
Payment on sinking fund debentures	200,000	200,000
Mining tax applicable to the prior year	—	1,806
Increase in inventory of materials and supplies	32,091	—
	370,846	425,997
INCREASE IN DEFICIENCY OF WORKING CAPITAL	2,327	219,802
DEFICIENCY OF WORKING CAPITAL — BEGINNING OF YEAR	659,255	439,453
DEFICIENCY OF WORKING CAPITAL — END OF YEAR	\$661,582	\$659,255

ATLANTIC COAST COPPER CORPORATION Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 1964

1. fixed assets

Plant and equipment and related accumulated depreciation are classified as follows:

	1964		1963	
	Cost	Accumulated depreciation	Net	Net
Buildings and machinery	\$1,848,982	668,097	1,180,885	1,350,204
Tools and equipment	285,686	109,868	175,818	198,327
	<u>\$2,134,668</u>	<u>777,965</u>	<u>1,356,703</u>	<u>1,548,531</u>

2. sinking fund debentures

- The principal, interest and sinking fund payments due under the debenture agreement are unconditionally guaranteed by the Province of Newfoundland.
- The Province of Newfoundland holds a first mortgage on all real and immovable property, and in addition is permitted to hold a first floating charge on all other property and assets during the period when any obligations under the debenture agreement are not satisfied.
- Annual sinking fund requirements are as follows:

1965 to 1967	\$200,000
1968 and 1969	300,000
- A distribution of assets or payment of dividends may not be made without the consent of the Province of Newfoundland while any of the debentures are outstanding.

3. change in authorized capital

Under a by-law confirmed by Supplementary Letters Patent dated 13th July 1964, the authorized capital stock of the company was increased from 3,500,000 to 5,000,000 common shares without par value.

4. reservations of capital stock

During the year 437,498 shares were issued for \$437,498 cash. These included 200,000 shares issued for \$200,000 under an underwriting agreement effective 29th October 1964. Under this agreement options were granted for one year on four additional blocks of 200,000 shares each at \$1, \$1.25, \$1.50 and \$1.75 respectively per share. To date the options on the first 400,000 shares have been exercised.

5. contractual commitment

The company has a contract to pay an annual minimum amount of \$212,500 for electrical power until the longer of 1967 or the life of the mine up to 1971.

6. depreciation

In addition to the depreciation of fixed assets shown in the attached accounts, \$3,801 has been charged to operations during the year for automotive equipment.

